


Management Advisory 2008 – 1

To: Dwight E. Brock, Clerk of Courts 

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Through: Crystal Kinzel, Finance Director

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Audit File

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Recording of Impact Fee Deferrals in Financial Management System

BACKGROUND

Chapter 74 of the Collier County Code of Laws and Ordinances authorizes and regulates impact fees, which the CDES internet site defines as “a charge on new development to pay for the construction or expansion of off-site capital improvements that are necessitated by and benefit the new development.” The authority for impact fee deferrals is contained in Chapter 74, Article IV, which allows the County to defer impact fees for new owner-occupied or rental development projects qualifying as affordable housing. All impact fee deferrals should be supported by a deferral agreement with the County, which outlines the terms and conditions depending on the type of project. Impact fees deferred for owner-occupied projects become payable upon the sale of the dwelling, refinancing or a loss of homestead exemption. Impact fees deferred for rental development projects become payable no later than six years and nine months after the execution of the deferral agreement. Impact fees deferred constitute a lien on the property until terms of the agreement are satisfied.

The Clerk's Finance and Accounting Department records the deferrals as receivables based on County staff providing both deferral agreements approved by the Board of County Commissioners and evidence of building permit issuance. As of September 30, 2007 the recorded balance of deferred impact fee agreements was \$10,749,645.31.

As part of the year-end reconciliation process the Finance and Accounting Department validated its records against County records, a process which revealed an additional \$1,345,432.24 in deferred impact fees to record. Approximately \$1.1 million of the unrecorded balance of \$1,345,432.24 represents accounts due for payment corresponding to the Wild Pines and Saddlebrook/Pelican Pointe projects. The Finance and Accounting Department brought these outstanding items to the attention of County impact fee personnel, who subsequently began working with each developer to obtain payment. The Wild Pines developer made full payment of \$411,355.36 to the County on December 11, 2007.

Due to these gaps, Internal Audit undertook an additional review to reconcile deferral agreements recorded in Official Records against deferrals booked in the SAP system. This was a limited scope engagement in which we focused our objectives strictly on identifying any past due accounts as well as gaps in impact fee deferrals that may have resulted in the FY 2007 accounts receivable balance being understated.

ANALYSIS

Internal Audit searched the Collier County Public Inquiry System in order to identify impact fee deferral agreements recorded in Official Records. Search criteria included "Various Liens" and "Agreements" recorded with Collier County or Board of County Commissioners as a party. That process yielded a total of eleven deferral agreements dated between 2001 and 2007 with a total value of \$6,497,490.66 that were recorded in Official Records, but not captured in the SAP financial management system. The Clerk's Finance and Accounting Department followed-up with County staff to confirm that these agreements were valid and necessitated an accounts receivable entry in the system. Approximately \$1.05 million of the unrecorded balance of \$6,497,490.66 is past due relating to the Brittany Bay I development. The remaining agreements have a due date in future fiscal years. Table 1 on the following page summarizes our analysis, organizing the information into three categories as follows:

- Receivables balance as of September 2007: This category constitutes the baseline deferrals booked in SAP.
- Receivables identified after year-end reconciliation: This category represents deferrals identified through the reconciliation process between Clerk's Finance and County staff.
- Additional receivables identified after reconciliation between Official Records and SAP: This category represents deferrals identified through Internal Audit's analysis of Official Records.

**Table 1: Impact Fee Deferrals for Affordable Housing
Fiscal Year 2007 Receivables Balance as Adjusted**

Development/Project	Agreement Date	Amount	Impact Fees Due as of 9/30/2007
Receivables Balance as of September 30, 2007			
Botanical Place	Various Dates	\$431,011.17	
Bristol Pines	Various Dates	147,129.84	
Crestview Park Apartment	3/15/2006	1,403,545.00	
Collier Health Services	4/27/2007	100,000.00	
Heritage Bay Commons	Various Dates	184,888.42	
Immokalee Deferred Impact Fee Program	Various Dates	1,224,348.62	
Individual Agreements	Various Dates	38,547.96	
SHIP Deferrals	Various Dates	2,924,888.30	
Summerlake Apartments II	9/6/2005	2,739,611.93	
Timber Ridge	1/24/2005	133,606.68	
Trail Ridge	Various Dates	1,422,070.39	
Sub-Total		10,749,645.31	
Receivables Identified After Year-End Reconciliation			
Fun Time Early Childhood Academy	9/25/2007	79,303.77	
Oakhaven Apartments	9/27/2005	189,224.31	
Saddlebrook/Pelican Pointe	12/16/1997	665,548.80	Due on 12/16/2003
Wild Pines	3/28/2000	411,355.36	Due on 3/28/2006
Sub-Total		1,345,432.24	
Additional Receivables Identified After Reconciliation Between Official Records and SAP			
Arrowhead Reserve	9/11/2007	19,305.88	
Brittany Bay I	8/3/2001	1,048,518.88	Due on 9/5/2007
Camden Cove (Brittany Bay II)	1/14/2003	1,210,626.56	
Campus of Care	11/25/2002	224,076.12	
Main Street Village	6/13/2002	305,952.78	
Marco Bay Homes	Various Dates	77,095.92	
Saddlebrook Village	3/7/2003	2,170,855.04	
Shelter for Abused Women and Children	3/6/2003	56,182.56	
Summerlake Apartments I	3/11/2003	1,096,127.20	
Wolfe Apartments	6/12/2002	288,749.72	
Sub-Total		6,497,490.66	
Grand Total Identified Receivables Balance		\$18,592,568.21	

CONCLUSION

The Clerk's Finance and Accounting Department has taken steps to record the outstanding receivables not reflected in SAP as of September 2007 to ensure the accuracy of the Fiscal Year 2007 financial statements. The additional deferrals booked in the system total over \$7.8M and represent an approximately 73% increase in the accounts receivable balance related to impact fee deferrals.

In addition, the Clerk's Finance and Accounting Department has apprised the County of past due impact fees. County impact fee staff have resolved or are currently pursuing past due impact fees related to the following developments as summarized in Table 2:

Table 2: Impact Fees Identified as Past Due

Development	Amount	Due Date
Saddlebrook/Pelican Pointe	\$665,548.80	12/16/2003
Wild Pines*	411,355.36	3/28/2006
Brittany Bay I	1,048,518.88	9/5/2007
Grand Total	\$2,125,423.04	

* Wild Pines developer made payment to County on December 11, 2007.

Finance and County staff are continuing to work together to reconcile records so that all deferrals are recorded in the SAP system. The communication of known discrepancies to the County is critical as it should prompt the development of a more formal process to ensure that impact fee deferrals are recorded on a timely basis.

Our review of the impact fee deferral agreements identified through this analysis indicates that there is no provision for capturing interest related to late payment unless, as stated in some agreements, the County takes a civil action against the other party. The County may want to consider adding a stipulation in the Remedies section of the agreements which allows for collection of interest related to late payment under any circumstances, whether a civil process is undertaken or not. This may facilitate timely payment, which as evidenced by the three agreements in Table 2, has proven to be an issue.

Finally, the Clerk's Office has notified the external auditor of these issues as part of the year-end disclosure process and in order for the external auditor to evaluate control deficiencies per the requirements of *Statement on Auditing Standards 112, Communicating Internal Control Related Matters Identified in an Audit*.